

# Announcement

To Nasdaq Copenhagen A/S and the press

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## Q4 and full year report 2020/21

(the period 1 October 2020 – 30 September 2021)

### STRONGEST QUARTER EVER TO ROUND OFF AN OTHERWISE CHALLENGING YEAR

*Demand was affected by COVID-19 in the first part of 2020/21, while global supply chain impediments impacted the second part of 2020/21. The demand situation is normalizing rapidly with a record strong Q4 showing that the strategic direction is sound and that the future growth opportunities are intact although the supply chain challenges will persist in the near-term.*

### FINANCIAL HIGHLIGHTS FOR Q4 AND FULL YEAR 2020/21

With a very strong Q4, RTX met the outlook for the year as updated on 22 April 2021, however ended the year below the original outlook for the year. The year was impacted by lower demand from customers in the first part of the year and from global component shortages in the electronics industry and other supply chain impediments in the second part of the year. These supply challenges have postponed revenue of approx. DKK 45 million from Q4 of 2020/21 into the next financial year.

<i>DKK million (% change over last year)</i>	<b>Q4 2020/21</b>	<b>Full year 2020/21</b>
<b>Revenue</b>	DKK 187 million (+19%)	DKK 457 million (-18%)
<b>EBITDA</b>	DKK 50 million (+37%)	DKK 37 million (-66%)
<b>EBIT</b>	DKK 40 million (+37%)	DKK 6 million (-93%)

Cash flow from operations (CFFO) reached DKK 45 million in 2020/21 and RTX continues to have a strong net cash position of DKK 120 million at year-end 2020/21.

### **CEO Peter Røpke in a comment to the annual report:**

*"2020/21 was a challenging year in several ways. COVID-19 had a significant impact on our customers and therefore on demand in the first part of the year and global component shortage and supply*

*chain challenges impacted the second part of the year. But the strong ending to the year with the highest revenue ever in a single quarter recorded in our Q4 underlines the confidence I have in our growth strategy and our growth opportunities.”*

## **REBOUNDED AFTER A CHALLENGING YEAR**

Especially in the first and second quarter of 2020/21, demand in the Enterprise and ProAudio segments were impacted significantly by COVID-19. In the Enterprise segment, COVID-19 countermeasures around the world caused restrictions in the access of RTX's customers to the sites of their end customers for installation of communication systems. In the ProAudio segment, restrictions on live events impacted some RTX customers – especially in the Intercom sub-segment.

We have seen the demand situation gradually normalizing over the course of 2020/21. Revenue has been increasing quarter-on-quarter throughout the year. Q4 revenue in 2020/21 increased by 205% compared to Q1 revenue – in 2018/19 and 2019/20 the corresponding increases over the year were 35% and 22% respectively. Therefore, while revenue in the first half of the financial year was significantly below the previous years, the revenue in the second half of 2020/21 amounted to DKK 307 million which is the same level as in the two previous years. In the fourth quarter of 2020/21, revenue amounted to DKK 187 million; the highest revenue ever recorded in a single quarter for RTX.

During 2020/21, we began to see – as did the whole world – a number of supply chain challenges emerging. These challenges included component shortages of various electronic components – especially semiconductors – supply chain and logistic impediments such as shipping capacity issues, periodic port closures and electricity scarcity in China, as well as travel restrictions complicating troubleshooting in relation to ramp-up of new production lines.

The main effect on RTX has been the postponement of deliveries of part of customer orders in 2020/21 – causing postponement of some revenue from one quarter into the next over the year. While Q1 was not impacted, the impact has been increasing over the year. Revenue of approximately DKK 30 million was postponed from Q2 into Q3, revenue of approximately DKK 40 million was postponed from Q3 into Q4 and revenue of approximately DKK 45 million was postponed from Q4 into Q1 of 2021/22. Another effect, especially in the last part of the year, is higher cost of goods sold with increases in certain component and logistic costs.

A challenging year such as 2020/21 has of course led to an assessment of our growth strategy. It is our firm belief that the uniform business model and go-to-market approach across our three target market segments – Enterprise, ProAudio and Healthcare – which we have been working towards over the last couple of years remain fundamentally sound and robust. Thus, our overall growth strategy for the coming years remains intact: We deploy our wireless capabilities to create recurring revenue as an ODM/OEM supplier via long-term framework agreements with our customers in the B2B Enterprise, ProAudio and Healthcare markets.

We still see our key customers investing into the joint product development activities with us. And even during 2020/21 we see the strategy working as we have seen significant growth from some of the newest areas where we and customers have invested into growth. These areas include the newest Enterprise framework agreement announced at the end of 2018/19 where we delivered the first products during 2020/21 and the unique ProAudio product platforms, such as Sheerlink™, Sheersound™ and TeamEngage™, where we have on-boarded several new customers and have seen significant growth especially for content creation purposes.

Therefore, we have also maintained our key investments into the important products and product platforms for the Enterprise, ProAudio and Healthcare segments in 2020/21 – both together with customers and as strategic investments by RTX. We have done this while maintaining a cautious and prudent cost management to balance the shorter-term results with the longer-term growth opportunities. These opportunities remain significant; while the growth from the ramp of some of our newer customers and framework agreements has been slowed by COVID-19 and supply challenges, the fundamental growth opportunities from these remain strong. Coupled with the rebound in demand seen towards the end of 2020/21, we therefore see the strategic direction of RTX as sound and the long-term growth opportunities as large – even if the short-term supply circumstances are challenging.

#### **DISTRIBUTIONS TO SHAREHOLDERS**

During 2020/21, RTX paid dividends and made share buy-backs for a total of DKK 70.7 million reflecting the strong cash position and solidity of RTX. The net cash position now stands at a solid DKK 120 million corresponding to the target position for liquidity (which is a target liquidity position of 25-30% of revenue) according to the Group's capital policy.

As the profit after tax for 2020/21 is only DKK 4 million and as the net liquidity position of RTX now corresponds to the target position according to our capital policy, the Board of Directors will recommend to the Annual General Meeting in January 2022 that no dividends be distributed for the 2020/21 financial year. The Board of Directors will monitor the developments during 2021/22 and may, if deemed appropriate and attractive, commence a new share buy-back program later in the financial year.

#### **OUTLOOK FOR 2021/22**

Revenue is expected to be above DKK 520 million in 2021/22, corresponding to a growth of more than ~14%. While RTX enters 2021/22 with a strong order book and thus a good starting point demand wise, the revenue outlook is especially impacted by the global component shortage and the uncertainty regarding deliveries and thus revenue associated herewith. EBITDA is expected to be above DKK 50 million and EBIT is expected to be above DKK 10 million in 2021/22.

The outlook is especially sensitive to the developments in the global component and supply markets, the COVID-19 development and the development in the US dollar exchange rate. Specifically, the outlook is based on the following main assumptions:

- No significant worsening of product availability. The impact of component shortages and other supply chain and logistic impediments is on a similar level as during the latter part of 2020/21.

- Growth mainly driven by product sales.
- Limited impact on demand from any new COVID-19 waves.
- Demand rebound after last year's COVID-19 impact primarily in the Enterprise and ProAudio segments which were most affected last year.
- Stable USD/DKK exchange rate
- No negative impact from macroeconomic and political environments, e.g. economic growth rates, price developments, and trade barriers.
- No other material changes in competitive situation, market landscape etc.
- Component and logistic costs overall assumed to stay at the increased level experienced in Q4 2020/21.
- The investments in RTX platforms and products via capitalized R&D costs over the last years are expected to lead to increased amortizations.

For a more thorough description of assumptions regarding the outlook and other forward-looking statements, please refer to pages 22-23 of the Annual Report 2020/21.

As in previous years, the revenue and earnings distribution over the year is expected to be backloaded towards the second half of the year.

### **LONG-TERM FINANCIAL AMBITIONS**

Last year, in our Annual Report for 2019/20, RTX announced our long-term financial ambitions for growth and earnings for the three-year period from the end of 2019/20 until and including the financial year 2022/23. We believe that the significant opportunities in RTX's growth strategy remain intact. Increased recurring revenue from the increased number of large framework agreements holds significant potential for profitable growth.

While we believe that the COVID-19 pandemic with its impact on demand and the global supply chain challenges are solely temporary impediments to the long-term growth of RTX, we have reassessed our long-term financial ambitions. We maintain the ambitions for significant profitable growth, but we have "parallel shifted" the ambitions by one-year especially due to prolonged impact of supply chain challenges. Therefore, the end year for our long-term financial ambitions is now 2023/24. Further, we now set the targets in absolute numbers to make them more straightforward. Thus, RTX's longer-term financial ambitions are:

- Organic revenue growth: Based on the strategy of deploying RTX's "wireless wisdom" in selected B2B target markets for growth via recurring revenue and based on execution of existing and newer framework agreements, it is the ambition of RTX to grow revenues organically to reach at least DKK 800 million in the financial year 2023/24.
- Earnings: Given the long-term revenue growth ambitions and given the leverage effect of increased recurring revenue on the scalability of human resources and other costs, it is the ambition of RTX to reach EBITDA of at least DKK 145 million in 2023/24.

Regarding assumptions related to the long-term financial ambitions, please refer to page 24 of the Annual Report 2020/21.

RTX A/S

**PETER THOSTRUP**

Chair

**PETER RØPKE**

President & CEO

***Investor and analysts meeting***

*On Wednesday 1 December 2021 at 8.30 am, RTX will hold a conference call for investors and analysts and comment on the Annual Report. To register for the conference call please e-mail [lomo@danskebank.dk](mailto:lomo@danskebank.dk). On Monday 6 December 2021 from 9.00 am, RTX will hold investor and analyst meetings by appointment at Danske Bank, Holmens Kanal 12, Copenhagen. For appointments, please e-mail [lomo@danskebank.dk](mailto:lomo@danskebank.dk).*

***Enquiries and further information:***

*Overleaf: Summary financial performance 2020/21*

*The Annual Report 2020/21 can be found via:*

*<https://www.rtx.dk/en/investors/downloads/financial-reports/>*

*CEO Peter Røpke, tel +45 96 32 23 00*

*RTX's homepage: [www.rtx.dk](http://www.rtx.dk)*

## FINANCIAL PERFORMANCE 2020/21

The RTX Group posted revenue of DKK 457 million in 2020/21, corresponding to a decrease of 18% (2019/20: DKK 556 million). Demand was significantly affected in the first part of 2020/21 due to COVID-19. In the second half of the year the global component shortage and supply chain impediments affecting the global flow of goods impacted revenue by postponing the delivery of orders into future quarters. The revenue decrease was also partly due to the weaker US dollar in 2020/21 and FX corrected growth was -13%.

The demand situation improved significantly over the year with quarter-on-quarter growth in revenues and was close to being normalized in the second half of the year. Therefore, Q4 revenues in 2020/21 grew 205% compared to Q1 revenues (2019/20: 22%).

The global component shortage especially of semiconductors, but also periodically of other electronic components, and supply chain impediments such as port closures, shipping capacity issues and electricity scarcity impacted deliveries from Q2 onwards in 2020/21. The effect is postponed deliveries and thus revenue into future periods. At the end of 2020/21, revenue of approx. DKK 45 million was thus postponed into the next financial year due to the global supply chain challenges. Without these supply chain challenges; revenue would therefore have exceeded DKK 500 million in the financial year.

In the Enterprise segment, RTX realized revenue of DKK 308 million – a decrease of 19% (2019/20: DKK 382 million). COVID-19 countermeasures restricted customer access to end customer sites for installation of communication systems in the first part of the year. Also, customers were cautious in re-stocking their inventories in the first part of the year due to the uncertainty around COVID-19. Further, revenue has been negatively impacted by component scarcity and supply chain challenges postponing revenue into next financial year. Corrected for the FX impact of the weaker US dollar, revenue in 2020/21 decreased by 15%.

ProAudio revenues decreased by 20% to DKK 102 million in 2020/21 (2019/20: DKK 128 million). Recurring revenue from product sales and royalties increased in 2020/21 in line with RTX's strategy to move from one-off engineering services to recurring revenue streams. Revenue from engineering services therefore decreased significantly, and the transformation to a business model based on recurring revenue has come far. Due to the impact of COVID-19 and supply challenges, revenue from product sales increased less than expected at the start of the year, however, especially the revenue from RTX's product platforms and associated modules increased significantly in 2020/21. Corrected for the FX impact of the weaker US dollar, revenue in 2020/21 decreased by 15%.

RTX revenues in the Healthcare segment amounted to DKK 47 million and increased by 1% (2019/20: DKK 46 million). Compared to last year, revenue was positively impacted by the conversion into deliveries of a full ODM product instead of purely modules for part of the deliveries. On the other hand, the significant volume (unit) growth for patient monitoring devices seen over 2019/20 due to the COVID-19 pandemic was more normalized in 2020/21 as equipment ramp-up at hospitals etc. has levelled off. FX corrected revenue growth was 6%.

The lower revenue level in 2020/21 decreased the gross profit of the Group to DKK 239 million (2019/20: DKK 309 million). The gross margin amounted to 52.3% in 2020/21 compared to 55.6% last financial year. The margin is primarily impacted by the revenue mix with a significantly lower share of revenue from engineering services. Secondly, the margin is impacted by increasing component costs in the second half of the year as a result of the component scarcity in the global electronics industry.

Due to the impact of and uncertainty created by the COVID-19 pandemic and the global supply chain challenges, the capacity cost base continued to be managed carefully during the year. This led to capacity costs (staff costs and other external expenses) amounting to DKK 227 million in 2020/21 equaling a decrease of 1% (2019/20: DKK 230 million). On the other hand, RTX has maintained a reasonable capacity cost level so as not to jeopardize the Company's ability to realize the growth opportunities in its large framework agreements longer term. RTX has postponed any additional headcount investments and has instead redeployed employees internally to maintain full momentum on the development activities with the highest potential for RTX and customers.

RTX still considers the Group's growth opportunities intact despite the challenges of 2020/21. Therefore, RTX has continued to invest in the development of product platforms and solutions for the various segments. These investments include, for instance, Enterprise headsets (wireless models), cloud-based deployment and administration tools and ProAudio product platforms for Mics & Stage, Intercom and Conference.

Driven by the lower revenue level, EBITDA decreased by 66% to DKK 37 million (2019/20: DKK 108 million) corresponding to an EBITDA margin of 8.2% (2019/20: 19.5%). EBIT decreased by 93% to DKK 6 million (2019/20: DKK 84 million) primarily due to the lower revenue level and secondarily due to the higher depreciation and amortization as a result of the increased in-house development of products and product platforms over the latest years.

RTX continued to realize positive cash flow from operations (CFFO) in 2020/21 – in spite of the lower revenue and earnings in the year and aided by the working capital development – with CFFO of DKK 45 million (2019/20: DKK 71 million).